

MAY 16 1978

MICHAEL RODAK, JR., CLERK

In the Supreme Court of the United States

OCTOBER TERM, 1977

No. ~~77~~-1628

CELEBRITY, INC.,
Petitioner,

VERSUS

A & B INSTRUMENT COMPANY, INC.
and MID-AMERICA SALES AND
MARKETING, INC.,
Respondents.

**PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT**

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May, 1978

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A & B INSTRUMENT COMPANY, INC.
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**PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
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The petitioner respectfully prays that a Writ of Certiorari issue to review the opinion and judgment of the United States Court of Appeals entered in this action on March 8, 1978.

OPINION BELOW

The opinion of the Court of Appeals for the Tenth Circuit has not yet been reported in the Federal Reporter and is set forth in the Appendix (A-1).^{*} There is no District Court opinion as trial was by jury.

^{*} All references designated "A" will be to the Appendix to this Petition.

JURISDICTION

The judgment of the Court of Appeals for the Tenth Circuit was made and entered on March 8, 1978, affirming the judgments of the District Court. However, in accordance with the policy of the Tenth Circuit, the judgment is withheld until the mandate is issued and the mandate has been stayed (A-10). The opinion itself affirms the lower court's judgments. Petitioner timely filed a Petition for Rehearing which was denied April 11, 1978 (A-8). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

Respondent A & B Instrument Company, Inc.'s design patent whose validity is at issue discloses a simple rounded pillow. Petitioner contends this pillow is utterly lacking in any ornamental feature and is obvious in light of the prior art. Trial was by jury. The District Court apparently made no determination of validity and presented the question to the jury which found the patent to be valid. Damages awarded for infringement were not apportioned between the design features of the article and its other characteristics and were speculative. Treble damages and attorney fees were awarded by the District Court, although this was not an "exceptional case," solely on the basis of the jury's advisory finding that infringement by petitioner had been knowing and willful. The questions presented for review are:

(1) Were the principles for the determination of design patent validity established by this Court in *Sakraida*

v. *Ag. Pro, Inc.*, 425 U.S. 273 (1976); *Dann v. Johnston*, 425 U.S. 219 (1976); *Graham v. John Deere Co.*, 383 U.S. 1 (1966); *Smith v. Whitman Saddle Co.*, 148 U.S. 674 (1893); and *Gorham Co. v. White*, 81 U.S. 511 (1871), applied to the determination of validity in this jury case?

(2) Was the District Court, as a matter of law, required to make the determination of validity under *Graham v. John Deere Co.*, 383 U.S. 1 (1966), rather than leave such determination to a jury?

(3) Should there have been application of the rule of *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885), and *Dobson v. Dornan*, 118 U.S. 10 (1886), requiring that damages for lost profits be limited to those attributable to the design features of the infringing article as distinguished from its functional characteristics and, if so, should the matter be remanded for a new trial?

(4) Was the computation of damages for lost profits in conflict with the rules of *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885), and *Rubber Co. v. Goodyear*, 76 U.S. 788 (1869)?

(5) Was the judgment for treble damages (35 U.S.C. § 284) and attorney fees (35 U.S.C. § 285) justified in light of the proof that there was a genuine issue of validity and that petitioner had relied in good faith on the advice of counsel, and particularly in light of the repressive effect of such awards on the policy favoring free competition in ideas?

STATUTES INVOLVED

Art. I, § 8, cl. 8, United States Constitution, authorizes Congress:

"To promote the Progress of . . . useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries."

35 U.S.C. § 171 provides:

"§ 171. *Patents for designs*

Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided."

35 U.S.C. § 103 provides, in pertinent part:

"§ 103. *Conditions for patentability; non-obvious subject matter*

A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made."

35 U.S.C. § 284 provides:

"§ 284. *Damages*

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable

royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances."

35 U.S.C. § 285 provides:

"§ 285. *Attorney fees*

The court in exceptional cases may award reasonable attorney fees to the prevailing party."

STATEMENT OF THE CASE

Petitioner commenced this action for a judgment declaring Barber Design Patent No. 203,251 (hereinafter "the patent in suit" (A-31)), invalid and not infringed (A-2).¹ Respondents A & B Instrument Company, Inc. (hereinafter "A & B") and Mid-America Sales and Marketing, Inc. (hereinafter "Mid-America") counterclaimed for damages for infringement and unfair competition (A-3). Trial was by jury. On the question of validity, the jury was read 35 U.S.C. § 103 (non-obviousness) and instructed, in part, as follows:

"You are instructed that if you find the patent in issue to be valid, then you must further determine whether the patent has been infringed . . ." (A-24).

There were no instructions on damages.

¹ Jurisdictional basis: 28 U.S.C. § 1338(a)

In its verdict for respondent A & B, the jury found that "the patent is valid, not anticipated or obvious in view of the prior art," that it had been knowingly and willfully infringed, and that petitioner had engaged in unfair trade practices (A-11). The jury awarded \$50,000 (A-11) to respondent A & B on its claims, and \$80,000 (A-12) to respondent Mid-America on its unfair competition claim.² In the judgment for respondent A & B, the District Court repeated the jury's finding on validity, and reserved decision on the question of treble damages and attorney fees, in view of the jury's finding of knowing and willful infringement (A-14, 15). A further judgment trebled the damages for respondent A & B to \$150,000 and awarded \$22,500 in attorney fees (A-19).

The design patent in suit discloses a "contour pillow or the like" consisting of a flat shape and a contiguous round shape, without ornamentation (A-31). The pillow had originally been created by Barber for a purely functional purpose, as an orthopedic aid (A-4). The marketing of the pillow by or on behalf of respondent A & B has exclusively emphasized its functional characteristics in that by placing the rounded portion under the neck and chin, the buyer could protect her coiffure or obtain relief from cervical strain (A-32, 33). Actually, the advertising insert (A-32, 33) so completely covers up the pillow that the pillow could not have been sold on the basis of any ornamental characteristics.

² Neither verdict would stand but for the determination of validity. *Sears, Roebuck and Co. v. Stiffel Co.*, 376 U.S. 225 (1964).

The shape of the pillow, which is the design claimed to be patentable, was disclosed in whole or in part by the four prior patents cited by the Examiners, and fully disclosed in prior patents not cited. Each of the prior patents discloses a pillow, like that of the patent in suit, consisting of a flat shape contiguous to a rounded shape. Moreover, the shape of the pillow of the patent in suit is an obvious solution to the need for a shape to fit the contours of the human neck. The prior art references were submitted to the jury which also heard expert testimony on the interpretation of these references (A-3, 4). The jury concluded that the design of the patent in suit was not obvious and made the ultimate legal determination that the patent was valid.

The pillow described in the patent in suit was initially sold by respondent A & B through distributors in the medical field, and from 1970 was distributed by respondent Mid-America to department stores (A-2). In 1973, petitioner, a marketer of a line of products including pillows under the name "Protect-A-Set," became interested in adding a contour pillow to that line and sought an opinion from patent counsel as to whether it would infringe the patent in suit if it did so and whether the patent in suit was valid (A-6). Patent counsel's opinion was that petitioner's proposed product would not infringe the patent in suit and that the patent in suit was invalid (A-6).

Petitioner began marketing its "Protect-A-Set" contour pillow in mid-1973, after its patent counsel's opinion, and discontinued the product in 1976 when its sales dropped to an unprofitable level. In the three years, petitioner sold a total of only 83,474 pillows to department and drug stores

not sold to previously by either respondent. Petitioner's total net profit from this venture was \$15,860.

Respondent A & B's damage claim for lost profits was based on a multiplication of the 83,474 pillows sold by petitioner by a profit figure of 80¢ per pillow, giving a total of \$67,000. However, the 80¢ figure was admitted at trial to have been gross profit, and respondent A & B's actual net profit figure per pillow was only 8¢ (A-41). Even if it were assumed that respondent would have been able to sell all of the pillows petitioner had sold, its lost net profits would have been only \$6,678, according to the evidence.³

The deficiencies in respondents' proof of damages were acknowledged by the Circuit Court:

"We must say that the proof of damages by the defendants was somewhat rudimentary, especially as to overhead. There was also testimony and evidence as to projections for defendants' business volume which may have been somewhat optimistic." (A-5).

But that Court declined to disturb the jury's verdict on damages, as it declined to disturb the verdict on the other issues, including validity.

³ The verdict for respondent Mid-America was based on the assumption that it could have sold substantially more pillows than petitioner and Mid-America sold combined.

REASONS FOR GRANTING THE WRIT

The judgment of the Circuit Court conflicts with the strong federal policy expressed in *Lear v. Adkins*, 395 U.S. 653, 656 (1969), "favoring free competition in ideas which do not merit patent protection" and makes uniform application of the patent laws impossible. The questions presented are of constitutional dimension in that Congress has been empowered only to reward *invention* with patent protection. United States Constitution, Art. I, § 8, cl. 8.

The judgment conflicts with decisions of this Court establishing the principles to be applied to the determination of design patent validity, requiring that the determination of validity be made as a matter of law, and respecting the computation and bases for damages in patent cases. The judgment also presents an important federal question concerning the justifiability and desirability of treble damage and attorney fee awards in an unexceptional case such as this, in light of strong federal policy favoring free competition.

(1) The Validity Determination Was Not Made According to The Principles Laid Down By This Court

The patent in suit does not cover a "new, original and ornamental design." 35 U.S.C. § 171. The only aspect of the design which could be claimed to be ornamental, its shape, was obvious in light of the prior art. 35 U.S.C. § 103. The fundamental, dominant characteristic of the design is functional. The pillow was designed solely for utilitarian purposes, possesses no ornamental quality, and was not sold or

advertised as ornamental or decorative. Anyone who wished to make a pillow to fit the human neck would have found the Design an obvious solution, as can be seen in the prior art references. A finding that the patent in suit was invalid was required as a matter of law.

The basic requirements for validity of a design patent are old. In *Gorham Co. v. White*, 81 U.S. 511, 524 (1871), it was recognized that, as to designs, what is patentable is "appearance," not "utility." And, as with any patent, only invention is rewarded. "A person cannot be permitted to select an existing form and simply put it to a new use," *Smith v. Whitman Saddle Co.*, 148 U.S. 674, 679 (1893), thereby acquiring a monopoly over the design of a utilitarian object. A purely functional form is not patentable as a design, and if the design has functional characteristics, the ornamental features must dominate. *Barofsky v. General Electric Corp.*, 396 F.2d 340, 343 (9th Cir. 1968), cert. denied 393 U.S. 1031 (1969).

In *Graham v. John Deere Co.*, 383 U.S. 1 (1966), the scope of the inquiry under 35 U.S.C. § 103, which imposes a test of obviousness, was established, as follows:

"Under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved." 383 U.S. at 17.

"Strict observance of the requirements laid down here" was required to achieve "uniformity and definiteness." 383 U.S. at 18. See also *A & P Tea Co. v. Supermarket Corp.*, 340 U.S. 147 (1950).

Of particular relevance when the issue of validity is placed before a jury is this Court's comment in *Dann v. Johnston*, 425 U.S. 219, 229 (1976):

"In making the determination of 'obviousness,' it is important to remember that the criterion is measured not in terms of what would be obvious to a layman, but rather what would be obvious to one 'reasonably skilled in [the applicable] art.'" (Emphasis added).

See also *Sakraida v. Ag. Pro, Inc.*, 425 U.S. 273 (1976).

The application of these principles to the determination of validity of the patent in suit would have resulted in a finding of invalidity, but none of these principles was applied.

(2) The Court Was Required to Determine the Validity Issue But It Did Not

The question of validity may include some factual issues, but "the ultimate question of patent validity is one of law." *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966); *A & P Tea Co. v. Supermarket Corp.*, 340 U.S. 147, 155 (1950). The courts have an obligation to review the evidence affecting the question and make the determination; see, e.g., *Dann v. Johnston*, 425 U.S. 219, 230 (1976); *Sakraida v. Ag. Pro, Inc.*, 425 U.S. 273, 280 (1976); even if the case is tried before a jury, see, e.g., *Swofford v. B & W, Inc.*, 395 F.2d 362 (5th Cir. 1968), cert. denied 393 U.S. 935, reh. denied 393 U.S. 1060 (1968).

Here, the entire question of validity was presented to the jury (A-11, 12). The District Court apparently made no independent determination of the question as a matter

of law (A-14). The opinion of the Circuit Court is totally lacking in that careful examination of validity that is required (A-4). Thus, the jury, not the court, decided that the patent in suit is valid.

**(3) Damages Were Not Apportioned
To the Design Features of
The Infringing Article**

It has long been required that damages in the form of lost profits be limited to that portion of the losses directly attributable to the design features of the infringing article. *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 445-446 (1885); *Dobson v. Dornan*, 118 U.S. 10 (1886).

There was no evidence introduced by respondents to distinguish the profits made by petitioner attributable to the patented design features of the pillow, and those attributable to its unpatented features, such as functionality, color and material, and the damages were not apportioned. Actually, any effort to apportion damages would necessarily show that the only appeal of the pillow was its function, and the profits earned were solely attributable to that feature.

(4) The Damages Awarded Were Speculative

Damages for patent infringement cannot be supported by proof based on inference, conjecture and speculation, *Dobson v. Hartford Carpet Co.*, 114 U.S. 439, 444 (1885), and the computation for lost profits must be made "by finding the difference between cost and yield." *Rubber Co. v. Goodyear*, 76 U.S. 788, 804 (1869).

The damages awarded here, for lost profits, were not based on "the difference between cost and yield." If they had been, the maximum verdict for respondent A & B would have been \$6,678 and not \$50,000. Nor were they certain, in that they were based upon the unsupported assumption that respondent A & B could have sold all of the pillows petitioner sold and that respondent Mid-America could have sold substantially more pillows than both petitioner and Mid-America sold combined, even though respondents did not sell in the same market.

**(5) The Awards of Treble Damages and
Attorney Fees Are Contrary to
Federal Policy**

The District Court based its treble damage and attorney fees awards on the finding of the jury that the infringement by petitioner had been knowing and willful (A-14). The only support for that finding was the jury's conclusion that petitioner's patent counsel's opinion as to non-infringement and invalidity was not correct. This does not make an exceptional case.

Awards of treble damages and attorney fees on such facts, especially in light of a genuine issue of validity, are an attack on the strong federal policy in favor of free competition in ideas. *Lear v. Adkins*, 395 U.S. 653, 656 (1969); *Sears, Roebuck and Co. v. Stiffel Co.*, 376 U.S. 225, 230-31 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964). Security in reliance on the advice of patent counsel is essential for those who seek freely to compete in ideas not meriting patent protection. Otherwise, competition of the kind this Court has encouraged could not occur.

Therefore, it is important that this Court decide whether the awards in this case can be permitted to stand.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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May, 1978

CERTIFICATE OF SERVICE

This is to certify that three copies of the foregoing Petition for Writ of Certiorari were mailed with first class postage prepaid to each of the attorneys for respondents, namely Jerry J. Dunlap, DUNLAP, CODDING & McCARTHY, 510 Fidelity Plaza, Oklahoma City, Oklahoma 73102; and Charles G. Humble, POSEY & HUMBLE, 7300 N.W. 23rd, Suite 400, Bethany, Oklahoma 73008, this 15th day of May, 1978.

James D. Fellers

APPENDIX

APPENDIX

[OPINION OF THE COURT OF APPEALS]

PUBLISH

FILED

UNITED STATES COURT OF
APPEALS, TENTH CIRCUIT
MAR 8 1978

HOWARD K. PHILLIPS, CLERK

UNITED STATES COURT OF APPEALS
TENTH CIRCUIT

No. 76-1949

CELEBRITY, INC.,)	
a Corporation,)	
	)	Appellant,
v.	)	Appeal From The
	)	United States
	)	District Court
A & B INSTRUMENT COMPANY,	)	For The Western
INC., a Corporation, and	)	District of
MID-AMERICA SALES AND	)	Oklahoma
MARKETING, INC., a Corporation,	)	(D.C. #74-433-B)
)	
	)	Appellees.

James D. Fellers, of Fellers, Snider, Blankenship & Bailey, Oklahoma City, Oklahoma (Terry W. Tippens, Oklahoma City, Oklahoma, and Henry W. Foulds, Jr., of Brooks, Haidt, Haffner & Delahunty, New York, New York, with him on the Brief), for Appellant.

Jerry J. Dunlap, of Dunlap, Coddling & McCarthy, Oklahoma City, Oklahoma (Jerry J. Dunlap II, Oklahoma City, Oklahoma, with him on the Brief), for Appellee, A & B Instrument Company, Inc.

A-2

[APPENDIX]

Charles G. Humble, Bethany, Oklahoma, for Appellee, Mid-America Sales and Marketing, Inc.

Before SETH, Chief Judge, DOYLE and LOGAN, Circuit Judges.

SETH, Chief Judge.

This suit was filed by the appellant, Celebrity, Inc., under the patent laws for a declaratory judgment. It sought to have the court declare invalid a design patent issued to Able L. Barber as D-203,251. The proceedings were commenced under 28 U.S.C. §§ 2201, 2202, and 28 U.S.C. § 1338(a).

Plaintiff-appellant asserted that the patent was not valid because the subject was not an ornamental design under 35 U.S.C. § 171, and in any event it was anticipated and disclosed by prior patents.

The plaintiff-appellant Celebrity also sought to prevent suits by the defendants against the plaintiff and against others for patent infringement.

The action concerned contour pillows manufactured by the defendant, A & B Instrument Company, Inc. and marketed by defendant, Mid-America Sales and Marketing, Inc. These pillows were made under the design patent in issue, D-203,251, the Barber patent. They were marketed generally through department stores at the time in question. The plaintiff Celebrity then began to make and market its pillow which defendant asserted in letters to plaintiff was an infringement. Defendant A & B made similar protests to stores where plaintiff's pillows were offered for sale. The plaintiff began this declaratory judgment suit to attack the patent.

A-3

[APPENDIX]

Both defendants, A & B which was making its pillows under the Barber patent, and the marketing company, counterclaimed against plaintiff for infringement, for unfair competition, for deceptive trade practices, to have the patent held to be valid, and for damages.

The case was tried to a jury which found generally for the defendants. Judgment was entered on the verdicts for A & B against plaintiff in the amount of \$50,000.00. The trial court reserved the question of attorney fees and treble damages. Judgment was also entered for defendant Mid-America on the jury verdict in the amount of \$80,000.00; other counterclaims of Mid-America based on copyright infringement were dismissed.

About a month after the judgments on the jury verdicts, the trial court entered another judgment for A & B and against plaintiff to treble the \$50,000.00 damages awarded by the jury, and for an additional amount of \$22,500.00 as attorney fees incurred by A & B.

The judgment decreed that the Barber patent was valid; that plaintiff had infringed the patent; that the infringement was done knowingly and wilfully, as the jury found; and that plaintiff engaged in unfair trade practices against A & B, as the jury also found. The court also determined under 35 U.S.C. § 285 that this was an "exceptional case" to warrant the award of attorney fees to defendant A & B. The plaintiff has appealed.

The jury determined specifically that the Barber patent was not anticipated nor obvious in view of the prior art. We conclude that the jury was properly instructed on these issues. Counsel for the plaintiff made no objection to the instructions. This is a factual issue for the jury when properly submitted. *Moore v. Shultz*, 491 F.2d 294 (10th Cir.). The record demonstrates that there was sufficient evidence introduced upon which the jury could base its finding. The issue was fully developed by the witnesses. These witnesses

[APPENDIX]

testified at some length as to the prior patents, and there was a detailed comparison presented to the jury. The prior art considered by the patent office examiners was considered and compared with the patents advanced by plaintiff. The findings of the jury on these issues were not clearly erroneous.

The plaintiff strongly urges that the Barber patent is not really a design patent at all, and instead was an attempt to patent the functional aspects of the device. It is apparent from the record that the Barber pillow was initially devised to perform a specific function. However, as the product was finally patented and marketed, its design was such as to be patentable. The person to whom it was patented testified that the function of the pillow could be accomplished by pillows or cushions of several different designs. The shape of the pillow on a horizontal plane is distinctive, and is a "design" as contemplated by the patent laws. It was ornamental. This design was copied exactly by the plaintiff to include the dimensions. There was a limited decoration on the pillow also; however, it is apparent that the decorative, ornamental, or design feature was dominant over, and separate from, the functional aspects. See *Day-Brite Lighting, Inc. v. Compco Corp.*, 311 F.2d 26 (7th Cir.). The separation of the functional aspects from the design elements is not always easy. We must conclude that the patent was valid as a "design" patent, as the trial court concluded.

The plaintiff asserts that the "validity" issue was submitted to the jury, and the record so indicates; however, the trial court made its determination of validity as a legal issue derived from the several factors. The judgment so indicates, and there was no error in so doing.

In a series of cases based for the most part on *Graham v. John Deere Co.*, 383 U.S. 1, we have held that at least some of the elements to include anticipation, obviousness, and novelty are fact questions, although the ultimate issue

[APPENDIX]

of validity is a question of law. *Moore v. Shultz*, 491 F.2d 294 (10th Cir.); *A. E. Staley Mfg. Co. v. Harvest Brand, Inc.*, 452 F.2d 735 (10th Cir.), and *Eimco Corp. v. Peterson Filters & Eng. Co.*, 406 F.2d 431 (10th Cir.). The same considerations apply to a design patent such as the one before us. We conclude that the appropriate division was here made between the function of the jury and of the judge.

The plaintiff-appellant raises several issues as to damages which we have considered. We must say that the proof of damages by the defendants was somewhat rudimentary, especially as to overhead. There was also testimony and evidence as to projections for defendants' business volume which may have been somewhat optimistic. However, the proof was subjected to effective cross-examination, and the matter of net profit and gross profit was developed for the jury as it here applied. The extent of the market was clearly defined because defendants were the only ones who marketed the type of pillow involved, and with the entry of plaintiff there were just two in the market. Both sold for the most part in department stores. We must conclude that the proof of damages was adequate, and the matter was presented to the jury within the limitations prevailing in this Circuit.

The remaining aspects of the damage issue concern deceptive and unfair trade practices, attorney fees, and treble damages.

There would seem to be no serious issue as to the award of combined infringement and unfair competition damages. *Hurn v. Oursler*, 289 U.S. 238. The trial court instructed the jury on the deceptive trade practice aspect claimed under 78 Okl.St. Ann. § 52. The instruction covered the proposition that if the patent was not valid the article described in it is in the public domain and may be made and sold by anyone.

As to the evidence on the matter of deceptive practices, the record shows that the product of defendants was copied exactly after the president of plaintiff bought one of defendants' pillows, took it to the company officials, and had them "design around it." He also asked for an opinion from a patent attorney as to the validity of the Barber patent. The reply from the attorney was that the patent was not valid. This was all before the jury which found that the infringement was knowingly and wilfully done. The record shows that the packaging and rack display by plaintiff was the same as defendants' as were the color and material of the pillow covers. The plaintiff also advised its salesmen that there was an established market for the pillow at a time when only the defendants were in the market. All in all, there was adequate evidence from which the jury could find the acts of plaintiff to be wilful.

The above described course of action by the plaintiff, and the findings by the jury caused the trial judge to determine under 35 U.S.C. § 285 that this was an "exceptional" case to justify an award of attorney fees to defendant A & B. The court also indicated in the judgment that with the unfair trade practices, and with the infringement done wilfully and knowingly, the court would consider the question of treble damages for A & B at a future date. The jury had fixed the damages of A & B at \$50,000.00.

As indicated above, the trial court about a month after the initial judgment entered a "Further Judgment" which gave treble damages and attorney fees. The defendant A & B had filed a motion for treble damages.

At a hearing on August 18th the trial court said that it had overruled the motion for a new trial, and noted that the jury had allowed Mid-America Sales \$80,000.00 in damages and A & B \$50,000.00. The judge then discussed the treble damages issue and indicated that there was "good reason" why the court should "go all the way" because of

the general wilfulness and general attitude of the plaintiff. The judge also referred to the letter on the validity of the Barber patent from the attorney for plaintiff. The judge then said:

"What I am going to do, I am going to allow \$50,000 in punitive damages, and may allow more. I am going to allow \$22,500 attorney fee, and I don't mean by this that this is all the attorneys should get, but then this is the amount that the defendant [sic] should pay, \$22,500.

"I am going to ask you lawyers to see if you can't get together. Here is a case that I think should be settled. You've got some room to settle it. I am going to give ten days from this date and if you can settle this whole kettle of fish, well, all right."

He further said that if the attorneys could not "settle" the whole matter, they should advise him and "... then I will proceed to finalize the matter without further notice unless the lawyers want to be heard further." The matter was not settled and, as indicated above, the "Further Judgment" was thereafter entered. It is clear from the remarks of the trial judge on August 18th that he was then considering and thought there was good reason for treble damages. There is nothing to indicate that the settlement or non-settlement would determine whether the additional damages would be awarded. The plaintiff presents the issue on the basis that it was penalized for not settling. However, we perceive no basis in the record for such an argument. It is clear that the trial court was considering treble damages at all times following the jury verdict.

We have considered the other issues raised by the parties, and conclude they are without merit.

AFFIRMED.

[ORDER DENYING REHEARING]

A true copy
Teste

HOWARD K. PHILLIPS, CLERK
U. S. Court of Appeals
Tenth Circuit
By *Stephanie Schetrom*
Deputy Clerk

MARCH TERM — APRIL 11, 1978

Before Honorable Oliver Seth
Honorable William J. Holloway, Jr.
Honorable Robert H. McWilliams
Honorable James E. Barrett
Honorable William E. Doyle
Honorable Monroe G. McKay
Honorable James K. Logan, Circuit Judges.

CELEBRITY, INC, a corporation,)	
)	
Plaintiff-Appellant,)	
vs.)	
	)	No. 76-1949
A & B INSTRUMENT COMPANY,)	
INC., a corporation, and)	
MID-AMERICA SALES AND)	
MARKETING, INC., a corporation,)	
)	
Defendants-Appellees.)	

This matter comes on for consideration of the petition for rehearing and suggestion for rehearing en banc filed by appellant in the captioned cause.

Upon consideration whereof, the petition for rehearing is denied by Circuit Judges Seth, Doyle and Logan, to whom the case was argued and submitted.

The petition for rehearing having been denied by the original panel to whom the case was argued and submitted, and no member of the panel nor judge in regular active service on the Court having requested that the Court be polled on rehearing en banc, Rule 35, Federal Rules of Appellate Procedure, the suggestion for rehearing en banc is denied.

s/ Howard K. Phillips

HOWARD K. PHILLIPS
Clerk

[ORDER STAYING MANDATE]

MARCH TERM — April 21, 1978

Before Honorable Oliver Seth, Honorable William E. Doyle,
and Honorable James K. Logan, Circuit Judges

CELEBRITY, INC., a corporation,)	
)	
Plaintiff-Appellant,)	
vs.)	
	)	No. 76-1949
A & B INSTRUMENT COMPANY,)	
INC., a corporation, and MID-)	
AMERICA SALES AND)	
MARKETING, INC., a corporation,)	
)	
Defendants-Appellees.)	

This matter comes on for consideration of appellant's motion for stay of the mandate in the captioned cause pending application to the Supreme Court for certiorari and of appellee's objections thereto.

Upon consideration whereof, it is ordered that the mandate shall be stayed until May 17, 1978, pending certiorari and that if on or before that date there is filed with the Clerk of the Court of Appeals a notice from the Clerk of the Supreme Court of the United States that appellant has timely filed a petition for writ of certiorari in the Supreme Court, the stay shall continue until final disposition by the Supreme Court.

HOWARD K. PHILLIPS, Clerk

s/ By Robert L. Hoecker
Robert L. Hoecker
Chief Deputy Clerk

[VERDICT FOR A & B]

FILED

JUL 16 1976

REX B. HAWKS, CLERK
U. S. DISTRICT COURT
By S. J. Bailey, Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF OKLAHOMA

CELEBRITY, INC.,)	
)	
Plaintiff,)	
vs.)	
	)	No. CIV-74-433-B
A & B INSTRUMENT COMPANY,)	
INC.,)	
Defendant.)	

VERDICT

We, the Jury, find for defendant A & B Instrument Company, Inc. on its Cross-Claim as follows:

1. The patent is valid, not anticipated or obvious in view of the prior art. Yes
2. The patent is infringed by Celebrity, Inc. Yes
- 2a. Such infringement was done knowingly and willfully. Yes
3. Celebrity, Inc. has engaged in unfair trade practices. Yes
4. A & B Instrument Company, Inc. has not engaged in unfair competition. Yes
5. A & B Instrument Company, Inc. has suffered damages in the amount of \$50,000.00.

July 16, 1976
(Date)

Roger W. Long
(Foreman)

[VERDICT FOR MID-AMERICA]

FILED
JUL 16 1976
REX B. HAWKS, CLERK
U. S. DISTRICT COURT
By S. J. Bailey, Deputy

CELEBRITY, INC.,)
Plaintiff,)
vs.)
) No. CIV-74-433-B
MID-AMERICA SALES AND)
MARKETING, INC.,)
Defendant.)

VERDICT

We, the Jury find for defendant Mid-America on its Cross-Complaint as follows:

1. Its copyright is infringed by Celebrity, Inc. No
2. Such infringement was done knowingly and willfully. _____
3. Celebrity, Inc. has engaged in unfair competition. Yes
4. Mid-America did not intentionally mismark. Yes
5. Mid-America has suffered damages in the amount of \$80,000.00.

July 16, 1976
(Date)

Roger W. Long
(Foreman)

[JUDGMENT FOR A & B]

FILED
JUL 23 1976
REX B. HAWKS, CLERK
U. S. DISTRICT COURT
By S. J. Bailey, Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF OKLAHOMA

CELEBRITY, INC., a corporation,)
Plaintiff,)
vs.)
) No. CIV-74-433-B
A & B INSTRUMENT COMPANY,)
INC., a corporation,)
Defendant.)

JUDGMENT

The above entitled action having been tried before The Honorable Luther Bohanon and a jury on July 14, 15, and 16, 1976; and the jury having returned the following verdict:

"We, the Jury, find for defendant A & B Instrument Company, Inc., on its Cross-Claim as follows:

1. The patent is valid, not anticipated or obvious in view of the prior art. Yes
2. The patent is infringed by Celebrity, Inc. Yes
- 2a. Such infringement was done knowingly and willfully. Yes
3. Celebrity, Inc. has engaged in unfair trade practices. Yes

[APPENDIX]

4. A & B Instrument Company, Inc. has not engaged in unfair competition. Yes
5. A & B Instrument Company, Inc. has suffered damages in the amount of \$50,000.00"

Based upon the findings of the jury and the evidence, the Court finds that:

(a) Defendant A & B Instrument Company, Inc. is the owner of United States Design Patent No. 203,251;

(b) Design Patent No. 203,251 of A & B Instrument Company, Inc., is valid, not anticipated or obvious in view of the prior art;

(c) Design Patent No. 203,251 of A & B Instrument Company, Inc., is infringed by Celebrity, Inc.

(d) The infringement of Design Patent No. 203,251 by Celebrity, Inc., was done knowingly and willfully;

(e) Celebrity, Inc. has engaged in unfair trade practices against A & B Instrument Company, Inc.;

(f) A & B Instrument Company, Inc. has not engaged in unfair competition against Celebrity, Inc.

(g) As a result of the actions of Celebrity, Inc., A & B Instrument Company, Inc. has suffered damages in the amount of \$50,000.00.

The jury found (a) that the infringement of Design Patent No. 203,251 by Celebrity, Inc. was done knowingly and willfully; and (b) that Celebrity, Inc. has engaged in unfair trade practices. The Court will determine the question of treble damages at a later date after notice and hearing of evidence, if either party desires to show evidence, and upon briefs presented by the parties.

The jury, having found that the infringement of Design Patent No. 203, 251 by Celebrity, Inc., was done knowingly and willfully, the Court finds that this is an exceptional case

[APPENDIX]

within the meaning of Title 35 U.S.C. § 285, whereby A & B Instrument Company, Inc. should be awarded attorney fees, and the amount thereof will be determined on proof to be heard at the same time the Court hears the question of treble damages.

The Court further finds that, by reason of the aforesaid infringement of Design Patent No. 203,251, the defendant A & B Instrument Company, Inc. is entitled to a permanent injunction against the defendant, its officers, employees, attorneys, agents, subsidiaries, and all claiming or holding through them.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that:

1. The Barber patent No. 203,251 is valid.
2. Celebrity, Inc. has infringed Design Patent No. 203,251 owned by A & B Instrument Company, Inc.
3. A & B Instrument Company, Inc., have and recover from Celebrity, Inc. the sum of \$50,000.00, together with interest thereon at the rate of ten percent (10%) from the date of jury verdict until paid. The questions of treble damages and attorney fees are reserved for determination after notice and hearing thereon.
4. A & B Instrument Company, Inc., shall recover from Celebrity, Inc., all of the costs of A & B Instrument Company, Inc., in this action.
5. Celebrity, Inc., its officers, employees, attorneys, agents, subsidiaries, and all claiming or holding through them, are hereby permanently enjoined from directly or indirectly making or causing to be made, using or causing to be used, selling or causing to be sold, any and all apparatus made in accordance with or embodying the invention described and claimed in said Design Patent No. 203,251, and from infringing upon, inducing to infringe, or violating

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[APPENDIX]

the rights of the defendant A & B Instrument Company, Inc., in said letters patent in any way whatsoever.

6. The causes of action of Celebrity, Inc., against A & B Instrument Company, Inc., are dismissed with prejudice.

Dated this 23rd day of July, 1976.

s/ Luther Bohanon
UNITED STATES DISTRICT JUDGE

ENTERED IN JUDGMENT DOCKET ON 7-23-76

[JUDGMENT FOR MID-AMERICA]

FILED
JUL 23 1976

REX B. HAWKS, CLERK
U. S. DISTRICT COURT
By S. J. Bailey, Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF OKLAHOMA

CELEBRITY, INC., a corporation,)	
)	
Plaintiff,)	
v.	)	NO. CIV-74-433B
)	
MID-AMERICA SALES AND)	
MARKETING, INC., a corporation,)	
)	
Defendant.)	

JUDGMENT

The above entitled action having been tried before The Honorable Luther Bohanon and a Jury on July 14, 15, and 16, 1976; and the Jury having returned the following verdict:

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[APPENDIX]

We the Jury find for defendant Mid-America on its Cross-Complaint as follows:

- | | |
|--|--------------|
| 1. Its copyright is infringed by Celebrity, Inc. | No |
| 2. Such infringement was done knowingly and willfully. | — |
| 3. Celebrity, Inc. has engaged in unfair competition. | Yes |
| 4. Mid-America did not intentionally mismark. | Yes |
| 5. Mid-America has suffered damages in the amount of | \$80,000.00. |

Based upon the findings of the Jury and the evidence, the Court finds that:

(a) Defendant Mid-America Sales and Marketing, Inc. is the owner of United States Copyright Registration No. K231,995;

(b) Copyright Registration No. K231,995 of Defendant Mid-America Sales and Marketing Inc. is not infringed by Celebrity, Inc.

(c) Celebrity, Inc. has engaged in unfair trade practices against Mid-America Sales and Marketing, Inc.;

(d) Mid-America Sales and Marketing, Inc. did not intentionally mismark.

(e) As a result of the actions of Celebrity, Inc., Mid-America Sales and Marketing, Inc. has suffered damages in the amount of \$80,000.00.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that:

[APPENDIX]

(1) Celebrity, Inc. has not infringed Copyright Registration No. K231,995 owned by Mid-America Sales and Marketing, Inc.

(2) Mid-America Sales and Marketing, Inc. shall have and recover from Celebrity, Inc. the sum of \$80,000.00, together with interest thereon at the rate of Ten percent (10%) from the date of this Judgment until paid.

(3) Mid-America Sales and Marketing, Inc. shall recover from Celebrity, Inc. all of the costs of Mid-America Sales and Marketing, Inc. in this action.

(4) The causes of action of Celebrity, Inc. against Mid-America Sales and Marketing, Inc. are dismissed with prejudice.

Dated this 23 day of July, 1976.

s/ Luther Bohanon
United States District Judge

ENTERED IN JUDGMENT DOCKET
ON 7-23-76

[APPENDIX]

[FURTHER JUDGMENT]

FILED

AUG 30 1976

REX B. HAWKS, CLERK
U. S. DISTRICT COURT
By S. J. Bailey, Deputy

IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF OKLAHOMA

CELEBRITY, INC., a corporation,)	
)	
Plaintiff,)	
vs.	)	No. CIV-74-433-B
)	
A & B INSTRUMENT COMPANY,)	
INC., a corporation,)	
Defendant.)	

FURTHER JUDGMENT

This case having been tried to a jury and the jury having returned its verdict in favor of A & B Instrument Company, Inc., against Celebrity, Inc., this Court on the 23rd day of July, 1976, entered Judgment on the jury verdict in favor of the defendant A & B Instrument Company, Inc., and against plaintiff Celebrity, Inc., in the amount of \$50,000.00, reserving to the Court the question of treble damages as provided by law and the question of attorney fees.

The Court, having heard oral argument on the question of punitive or treble damages and attorney fees and having read the briefs of the parties on said question and having reviewed the entire file, the work of the jury and the Court's notes, enters the following Judgment:

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED that A & B Instrument Company, Inc., have and recover from Celebrity, Inc., a total sum of \$150,000.00, which includes the \$50,000.00 Judgment entered herein on

[APPENDIX]

July 23, 1976, together with interest thereon as provided by law.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that A & B Instrument Company, Inc., have judgment against Celebrity, Inc., in an additional sum of \$22,500.00 as a reasonable attorney fee, all as provided by law.

Dated this 30th day of August, 1976.

s/ Luther Bohanon
UNITED STATES DISTRICT JUDGE
ENTERED IN JUDGMENT DOCKET
ON 8-30-76

[JURY INSTRUCTIONS]

P R O C E E D I N G S

July 16, 1976

THE COURT: Good morning, ladies and gentlemen of the jury, counsel for plaintiff and defendants.

You have heard the evidence in this case and you have heard the argument of counsel and the time has come for the Court to give you the instructions as to the law which will govern you in this case.

Although you as the jurors in this case are the sole judges of the facts, you are bound to follow the law as stated to you in the instructions of the Court and to apply the law as given to you to the facts as you find them to be from the evidence you have heard in the courtroom.

You are not to single out one of the instructions alone as stating the law, but you are to consider the instructions as a whole; that is, all of them together.

[APPENDIX]

Neither are you to be concerned with the wisdom of any rule of law the Court will give you. Regardless of any opinion which you may have as to what the law ought to be or should be, it would be a violation of your sworn duty to base a verdict upon any other view of the law except as stated to you by the Court in these instructions.

You have been chosen and sworn as jurors in this case to try the issues of fact presented by the allegations of the complaint of the plaintiff and the answer made thereto by the defendants. You are to perform this duty without bias or prejudice to any party. The law does not permit jurors to be governed by sympathy, by prejudice, or even by public opinion. The parties and the public expect that you will carefully and impartially consider all of the evidence, follow the law as stated to you by the Court, and reach a just verdict regardless of the consequences.

From all of the evidence before you, you must determine if the patent of A & B Instrument Company—and when I say A & B Instrument Company, I mean the Abe Barber patent, the patent as you know the evidence shows was assigned to A & B, so when I speak of the A & B patent, though it is the Barber patent, it is likewise A & B patent; that's what we are talking about.

All right. If the patent of the A & B Instrument Company is valid or not; whether Celebrity's product infringed A & B's patent if A & B's patent is valid; and whether Celebrity has infringed the copyright of Mid-America, as well as whether any of these parties have been guilty of unfair competition.

Plaintiff also contends that defendants have mismarked their Rest Easy pillow.

This case should be considered and decided by you as an action between persons of equal standing in the community, of equal worth, and holding the same or substantially the same station in life.

[APPENDIX]

A corporation is entitled to the same fair trial at your hands as a private individual. The law is no respecter of persons. All persons, including corporations, stand equal before the law and are to be dealt with as equals in a court of justice.

In order that Celebrity prove A & B's patent to be invalid, Celebrity must present clear and convincing evidence to disprove validity. In the absence of this, the law presumes validity.

Clear and convincing evidence is that which produces a firm belief in your mind as to the truth of the matters presented.

If you find plaintiff's exhibits No. 17, 18, 19 and 20 are more relevant, that is more important or have a more likeness to A & B's patent than the patents cited by the Examiner, in his report, then you may find A & B's patent invalid. Otherwise the presumption of validity of A & B's patent stands.

Title 35, Section 171, United States Code—this is a part of the statute—says:

"Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title."

That means this general law.

Section 102 of Title 35 provides that a person shall be entitled to a patent:

"(a) (unless) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

"(e) (unless) the invention was described in a patent granted on an application for patent by another

[APPENDIX]

filed in the United States before the invention thereof by the applicant for patent."

Section 103 of Title 35 provides in part:

"A patent may not be obtained though the invention is not identically disclosed or described as set forth in Section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."

Plaintiff Celebrity, Inc. contends that this patent, No. 203251, is invalid as the design is not new; that it has been known or used by others; and that the prior art as a whole has made the design obvious to one of ordinary skill in this particular art.

A design is obvious in law if one of ordinary skill in the art, comparing prior art with this design, would have found the design obvious or apparent.

The purpose of comparing "prior art" is to determine by examining prior patents, whether the patent in suit has been earlier anticipated in the art. If the prior art discloses the design, then it may be said to be obvious and unpatentable and a patent so given would be invalid. Otherwise the presumption of validity must stand.

In order for a design patent to be valid it must disclose an ornamental design which is new. In order to be new within the meaning of that word as used in the patent laws, the ornamental design as a whole must be pleasing enough to catch the trade.

The functional features of a product subject to a design patent are not to be considered in ascertaining whether the ornamental design is new or not.

You are instructed that if you find the patent in issue to be valid, then you must further determine whether that patent has been infringed by Celebrity as claimed by A & B.

The burden is upon A & B to prove by a preponderance of the evidence that Celebrity has infringed this patent, or the patent in issue.

By a preponderance of the evidence as that term is used in these instructions is not necessarily meant the greater number of witnesses testifying to a fact or state of facts, but is meant that evidence which to your minds is more convincing and seems more probably true.

Infringement Statute. Title 35, Section 262 of the United States Codes provides in part as follows:

"Whoever without authority makes, uses or sells any patented invention, within the United States during the term or life of the patent therefor, infringes the patents."

The patent in suit is infringed if the pillows made and sold by Celebrity are confusingly similar to the pillow of A & B, and in such a way that in the eyes of an ordinary purchaser the two pillows are substantially the same. And, if the resemblance is such as to deceive such a purchaser, inducing him to purchase one supposing it to be the other, the product patented is infringed by the other.

Expert witnesses. Testimony has been introduced by men termed in the law to be expert witnesses; that is, men who through study and experience in a particular field have become specially qualified to testify and give opinions in that field.

You are [as] jurors are not required to surrender your own judgment to anyone so testifying. However, the testimony of an expert, like that of any other witness, should be given that weight to which you deem it entitled when you determine the facts in this case.

Misuse of patents—Threats of lawsuits: You are instructed that notices of claims of infringement, lawsuits or threats of suit may be given by the owner of a patent to the public, prospective customers of a manufacturer of a similar article, or users of the article insofar as the patent owner exercises his rights in good faith, believing his patent to be valid.

A person has the right, as long as he is in good faith, to protect his rights and interest by notifying any or all persons of his rights and cautioning against infringement thereof. However, one not acting in good faith and without sincerity and thereby threatening suit for a bad motive, does not have rights which are protected by the preceding statute read to you.

If you find in favor of A & B, then you may award damages for compensation based upon the evidence in the case of injury and damages before you. The damages, if any, should have a reasonable basis such as the loss of business, the loss of profits, or both.

Should you determine that an infringement has occurred, you must then decide whether the infringement was done in a knowing and wilful fashion; that is, with knowledge that the patent in suit protected A & B and Mid-America's invention and copyright.

An act is knowingly done if done voluntarily and intentionally, with knowledge of what one is doing. An act is not done knowingly and willfully if done by mistake, inadvertently, or other innocent reason. If Celebrity acted in good faith on advice of its attorney, its actions would not be deemed wilful.

However, if Celebrity and its attorney acted in bad faith in evaluating A & B's patent, then such action may be deemed wilful.

[APPENDIX]

Section 292 of Title 35, United States Code, in part is as follows:

"Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word 'patent' or any word or number importing that the same is patented, for the purpose of deceiving the public; or

"Whoever marks upon, affixes to, or uses in advertising in connection with any article, the words 'patent applied for,' 'patent pending,' or any word importing that an application for patent has been made, or if made, is not pending, for the purpose of deceiving the public,

"Shall be fined not more than \$500 for such offense or offenses."

(b) Any person may sue for the penalty, in which event one-half shall go to the person bringing the lawsuit, if recovery is made, and the other half to the United States.

You are instructed that the burden to show mismarking is upon the plaintiff Celebrity that A & B mismarked its product; that is, making something which is not called for in the patent or in the patent application, doing so intentionally and not in good faith.

If you find that plaintiff has met this measure of proof, then plaintiff may recover on this issue. If you find the mismarkings, if any, which are claimed by the plaintiff were innocent or made under an opinion that the difference between the mismarked article, if any, and the design patent in suit were slight, then you should find for the Defendant A & B on this issue.

We now come to copyright infringement problems that will be before you.

[APPENDIX]

Section 101(b), Title 17 of the United States Code reads in part as follows:

"If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:"

to the copyright owner for all damage suffered, and to pay profits from sales made by the infringer.

Copyright Infringement—Defined. A copyright work is infringed if the work which is alleged to infringe is a copy, more or less identical to the copyrighted work. There must be an appropriation of substantial portions of the copyrighted work before there is or can be infringement of the copyright.

Section 1125(a) of Title 15 of the United States Code provides in substance:

Any person who uses in connection with any goods or services a false description or representation, shall be liable to a civil action by any person doing business in the locality or one who believes that he is damaged by the use of any such false description or representation.

Unfair Competition—Defined. Unfair competition as that term is used in these instructions is generally defined as any dishonest or fraudulent rivalry or competition in trade or commerce. It is particularly applied to instances where a competitor endeavors to substitute his goods for those of another, where the other competitor has an established reputation and extensive sales, by means of imitating or counterfeiting the name, label, or general appearance of the package, or other such similarities, the imitation being carried far enough to mislead or deceive the general public, and yet not amounting to an absolute counterfeit or to the infringement of a trademark or tradename.

[APPENDIX]

If an ordinary purchaser could be induced or deceived to buy one, by mistake, whereas he meant to buy the other, then unfair competition exists. If a patent is invalid, the article under it is in the public domain and may be made and sold by whoever chooses to do so.

So, you must apply the laws now given to the facts at hand. By applying the law to the facts, you must decide:

One: Has the plaintiff shown the patent not new, exposed by prior art, or obvious?

Two: If the patent is valid, has Celebrity infringed the patent of A & B?

Three: Has Celebrity infringed Mid-America's copyright by its advertising and sales?

Four: Has Celebrity unfairly competed by using deceptive similarities to Mid-America's packaging?

Five: Has A & B, not through innocence or good faith, mismarked its patent on the products which it has been selling?

Six: Has A & B engaged in unfair competition?

Seven: Has Mid-America engaged in unfair competition?

You are the exclusive judges of the facts proved, the weight of the evidence, and the credibility of the witnesses you have heard. In determining the issues in this case, you will of course rely upon the evidence which you have heard in the courtroom.

In weighing the testimony of the witnesses, you have a right to consider their appearance and manner while testifying, their means of knowledge, apparent intelligence or ignorance, interest or want of interest in the outcome of the lawsuit or the case, and all other facts and circumstances appearing in the trial which will aid you in arriving at the truth.

[APPENDIX]

You are to consider only the evidence you have heard in this case. But in considering the evidence you have heard, you are not limited to the bald statements made by the witnesses you have heard. In other words, you are not limited solely to what you see and hear as the witnesses testify. On the contrary, you are permitted to draw, from facts which you find have been proved, such reasonable inferences as seem justified in the light of your experience as men and women.

The verdict must represent the considered judgment of each juror. In order to return a verdict in this case, it is necessary for each juror to agree thereto.

It is your duty as jurors to consult with one another and to deliberate with a view to reaching an agreement if you can do so without harm to your individual judgment.

Each of you must decide the case for yourself, but do so only after an impartial consideration of the evidence with your fellow jurors. In the course of your deliberations, do not hesitate to reexamine your own views and to change your opinion if convinced that you have been in error.

Upon retiring to the jury room, you will select one of your members as foreman who will preside over your deliberations and will be your spokesman in court.

If in the course of your deliberations it appears to you as the foreman that you need the aid of the Court, you need some question answered or something that you do not understand, it is suggested that the foreman write a note, give it to the bailiff in whose charge you will be, and of course it will be given prompt attention.

I told you in the beginning these are difficult cases, and I think counsel told you, some of them, that it was simple. I have never found one of these cases to be simple, but they are understandable if you work at it and live with it.

[APPENDIX]

In this case there are, will be for you to decide, four different verdicts.

Now that is, Celebrity has brought this lawsuit as against A & B and they brought this lawsuit against Mid-America, so if they prevail there are two verdicts as to which you would measure Celebrity's verdict as against the two defendants.

On the other hand, these two defendants are suing Celebrity, as you have heard the evidence, and if you should find for them, why there will be two verdicts for them as against Celebrity.

Now each of these verdicts have for your study certain questions to answer; and if you find, for instance, for Celebrity you will answer the questions and then you will say how much Celebrity is to receive from both the A & B or from Mid-America, or both.

On the other hand, if your verdict should be for A & B or Mid-America, you will answer certain questions which support your judgment, and then you will give such judgment, the judgment that you think is proper from the evidence you have heard in this courtroom.

So in the verdict of Mid-America you have four questions to answer, three questions to answer and figure out the amount.

In the matter of the A & B, you'd have five questions to answer on both sides as to which one, then you would have how much you find should be awarded to whoever you decide should have the favor of your verdict.

United States Patent Office

Des. 203,251
Patented Dec. 21, 1965

203,251

CONTOUR PILLOW OR THE LIKE

Abe L. Barber, Oklahoma City, Okla., assignor to A & B
Instrument Co., Inc., Oklahoma City, Okla., a corpora-
tion of Oklahoma

Filed May 7, 1965, Ser. No. 85,168

Term of patent 14 years

(Cl. D3-9)

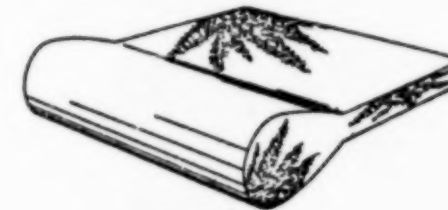


FIG. 1

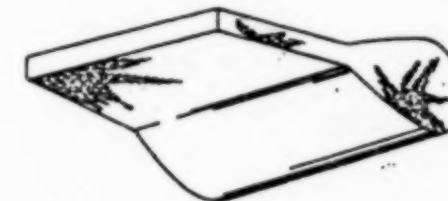


FIG. 2

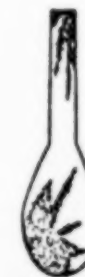


FIG. 3

FIG. 1 is a top perspective view of a contour pillow
embodying my new design;
FIG. 2 is a bottom perspective view thereof; and,
FIG. 3 is a side elevation view thereof.
1 claim:
The ornamental design for a contour pillow or the like,
as shown.

References Cited by the Examiner

UNITED STATES PATENTS

D. 188,416	7/1960	Ramm	D3-9
33,385	10/1861	Frodsham et al.	5-337
2,521,780	9/1950	Dodd	5-338
2,880,428	5/1959	Forsland	5-337

EDWIN H. HUNTER, Primary Examiner.

L. LANIER, Assistant Examiner.

THE NEW
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595

Prescribed by Leading Orthopedic Surgeons
as an Aid in Relieving
CERVICAL STRAIN AND TENSION
SUPPORTS both the HEAD and NECK.

Keeps your hair smooth and neat. Your set lasts longer • Takes the torture out of sleeping in hair rollers • Aids in prevention of chin and neck wrinkles • You can sleep on your side, back or tummy • Packs easily to keep you lovely on trips.

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The Rest-Easy Contour Pillow is therapeutically designed for use in cervical spine, lower back pain and cardiac cases. The Rest-Easy Pillow can also be used as car pillow at small of back or headrest, at the back of easy chair or divan, while watching TV, reading in bed, relaxing in bath tub or at pool side.

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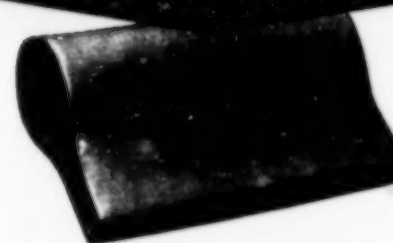
Neck vertebrae position shown with regular pillow.



Improved neck vertebrae position when using Rest-Easy Contour Pillow.

AN IDEAL GIFT FOR THE ONES YOU LOVE

Rest Easy CONTOUR PILLOW



Women have long dreamed of keeping their new coiffure beautiful all week. Now it is possible with the new Rest-Easy Contour Pillow. Whether sitting, sleeping, driving or bathing, the Rest-Easy Contour Pillow gives you dividends of increased rest and better health.



Use your Rest-Easy Contour Pillow every night for 10 nights. Chances are you'll never sleep on any other pillow again! Enjoy the many benefits of the Rest-Easy Pillow in the bedroom, the living room and in your car.

NOTE: Should your pillow begin showing signs of losing its shape, remove cover and place the pillow in steaming hot water. This will cause the cellular structure of the foam to expand back to its original shape—thereby giving your Rest-Easy Pillow longer life and greater value.

New Covers for your Rest-Easy Contour Pillow may be obtained from your place of purchase, or by ordering direct from Mid-America Sales and Marketing, Inc.

AVAILABLE IN A RIOT OF COLORS AND FABRICS—each tailored to the intended use of your Rest-Easy Pillow. All are removable. All washable! Non-Allergenic!



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IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF OKLAHOMA

CELEBRITY, INC.,)
Plaintiff,)
vs.) NO. 74-433 B (Civil)
)
A & B INSTRUMENT COMPANY,)
INC., et al,)
Defendants.)

BEFORE:

HONORABLE LUTHER BOHANON
United States District Judge

COURT'S RULING AND COMMENT FOLLOWING
HEARING ON PLAINTIFF'S MOTION
FOR NEW TRIAL,

Oklahoma City, Oklahoma
August 18, 1976

APPEARANCES:

For the Plaintiff:

Terry Tippens, Attorney at Law
First National Building
Oklahoma City, Oklahoma 73102

For the Defendant A & B:

Jerry Dunlap, Attorney at Law
Fidelity Bank Building
Oklahoma City, Oklahoma 73102

For the Defendant Mid-America:

Carroll Gregg, Attorney at Law
Hightower Building
Oklahoma City, Oklahoma 73102

COURT'S RULING AND COMMENT

August 18, 1976

THE COURT: Well, the Court having overruled the motion for a new trial as to both defendants or cross-claimants, or successful plaintiffs or cross-plaintiffs, the jury allowed Mid-America Sales \$80,000 in their verdict and they allowed A & B \$50,000 in their verdict.

I don't think there is any question but what under the law and under the policy of the courts that the Court should allow A & B some part or portion of the treble damage provision. I am not for sure that it should go all the way, yet there is good reason why it should go all the way because of the general wilfulness, the general attitude and demeanor of plaintiff here, Celebrity, in just taking a man's product, copying it and putting it on the market, stealing his market while the patent was valid.

The only defense he has is that he had a good patent lawyer give him an opinion that he thought, he believed that the patent was invalid. This is the only defense you have. But for that letter and the work of the attorney, it would be just as wilful as wilful can be.

MR. TIPPENS: Your Honor, I hate to interrupt. Could I interject one thing?

Even if it were not for Mr. Foulds, if Mr. Foulds had never entered the picture with the letter and so forth, as the cases say in the brief that I cited, if there is a fairly debatable question on the validity of the patent, there can be no question but that there is a debatable question because of the Palmer patent, because of the similarity of it, the fact that it hadn't been considered—that the Court should not increase the damages where there was a fairly debatable question.

I mean our people did not go in here as the cases where they increased the damages, where they arbitrarily go in

[APPENDIX]

and copy and do it where there is no question as to the validity of a patent; but there is certainly question on this patent because, as the file wrapper showed, the Palmer patent hadn't even been considered, and that under patent law, and if that was most relevant, that would indicate the patent was invalid because it hadn't been considered.

THE COURT: Well, I appreciate what you say but the fact remains that but for the letter Mr. Foulds wrote, it would just be wilful, deliberate and every other ugly name you can think of what the Celebrity did here.

If this type of conduct and attitude has been the life-blood of Celebrity, then they have done a lot of ugly things. I don't know how many cases. They apparently just go around and find an object that's going good on the market and do something with it. That's what I got from the witness of the parties that testified, "We are looking for these things. We look for them. We do these things."

I don't know. I'm not putting credence in what they say because it's not provable; but what he did here is pretty rough, pretty rough.

What I am going to do, I am going to allow \$50,000 in punitive damages, and may allow more. I am going to allow \$22,500 attorney fee, and I don't mean by this that this is all the attorneys should get, but then this is the amount that the defendant should pay, \$22,500.

I am going to ask you lawyers to see if you can't get together. Here is a case that I think should be settled. You've got some room to settle it. I am going to give ten days from this date and if you can settle this whole kettle of fish, well, all right.

The request for attorney fee, oral request on the part of Mid-America Sales comes pretty late. I haven't given it any thought at all. I will reread the Complaint and reread the Answer and reread everything. If necessary I'll do it, but then I think the \$80,000 allowed Mid-America sufficient

[APPENDIX]

to pay reasonable attorneys fees to the lawyers in this case. That's the way I look at it right now.

But if in ten days you gentlemen can get together and settle this matter, I hope you will do so and let me know by letter, Mr. Dunlap. If you can settle it, all right. If you can't settle it, write me a letter, send the other parties a letter, saying you haven't been able to settle it. You, too, Mr. Gregg, if you haven't been able to settle it, so then I will proceed to finalize the matter without further notice unless the lawyers want to be heard further.

Do you want to be heard further?

MR. TIPPENS: Your Honor, I got into the attorneys fees so fast I didn't get to address that. I would at least want to interject that I think that Mr. Dunlap is a very outstanding counsel and should be rewarded but I think \$100 an hour and \$40 an hour for his counsel, that's \$15,000.

THE COURT: Well, you know, I practiced law for thirty years and I don't believe I ever, one time, worked on an hourly basis. I never worked on that basis, so hourly doesn't make much figure, but then this is the way the profession is working these things pretty much, but they are not bound to an hourly basis in a case of this kind where the law provides for a fee.

As I say, the attorneys fee is worth much more than \$22,500 for the work he has done, the success he has had, the difficulties he had to overcome.

Well, at any rate, write a letter. Now do you want to be heard further?

MR. TIPPENS: No, your Honor.

THE COURT: All right, court is in recess.

(The proceedings are adjourned.)

CERTIFIED A TRUE TRANSCRIPT

January 19, 1977

s/ Frank M. Sickles

[APPENDIX]

[TRIAL TESTIMONY OF ABE BARBER, PRESIDENT
OF A & B INSTRUMENT COMPANY, INC.]

(TR. p. 153)

- Q. When you quoted a price of 80¢ per pillow as being your profit, how did you arrive at that number?
- A. I figured my cost of materials and labor, and what I sold it for, and subtracted the cost of materials and labor from that.
- Q. Did you make any allowance for overhead?
- A. Oh, yes, sir.
- Q. Was that included in your estimate?
- A. Not all of it, no, sir, not all of the overhead.
- Q. How much overhead do you think wasn't included in your estimate of 80¢?
- A. I have no idea at this time, no, sir.
- Q. It might have been 20¢?
- A. I wouldn't know.
- Q. It might have been 50¢?
- A. I wouldn't know.
- Q. But there was an amount you didn't include in arriving at the profit figure of 80¢?
- A. That was gross profit, yes, sir.

(TR. pp. 166-169)

- Q. Do you recall what your gross sales were in the last fiscal year for everything?
- A. Approximately \$225,000.
- Q. And how much of that was pillows?
- A. I'd say 75 to 80 percent. I don't know at this time.

[APPENDIX]

- Q. I'm sorry. I couldn't hear you.
- A. I don't really know at this time. I'd say approximately.
- Q. Do you recall what your net profit was as a corporation?
- A. No, sir.
- Q. Could you give a ball park estimate?
- A. No, sir, not at this time.
- Q. Was it more than ten percent?
- A. I would say not, no, sir.
- Q. Would you say it was less than ten percent?
- A. Yes, sir. Talking about net profit?
- Q. Yes, sir.
- A. Yes, sir.
- Q. Was it under \$20,000?
- A. Yes, sir.
- Q. Was it under ten?
- A. Yes, sir.
- Q. Was it under five?
- A. I can't remember whether it was under five or not.
- Q. Your recollection is clear that your—
- A. (Interposing) It was under ten. I do know that, yes, sir.
- Q. Under ten?
- A. Yes, sir.
- Q. If I understand you, 75 to 80 percent of this business was in pillows last year so that it would be fair, would it not, to say that of that \$110,000, something under \$8,000 was attributable to profit from pillows?

[APPENDIX]

A. Repeat the question.

Q. I am merely trying to find out what your profit on pillows is and you have testified that your profit on everything was under \$10,000.

Would it be fair to apportion that profit, in figuring your profit on pillows, on the basis of 75 to 80 percent, the figures that you used that pillows constitute of your gross business?

A. Yes, sir.

Q. So that your profit on pillows was less than \$8,000?

A. Yes, sir.

Q. And that was on a total number of pillows, if I understand you, just under one hundred thousand pillows?

A. Yes, sir.

Q. And if I understood you, the pillows you sell to Mid-America are sold for less than the pillows you sell in the retail trade yourself under the name A-B?

A. Yes, sir. I can explain the reason why, if you would like.

Q. Your counsel will probably ask you that.

A. Okay.

Q. So that on one hundred thousand pillows you made about \$8,000 or less?

A. \$9,000.

Q. That's a little less than a penny a pillow, isn't it?

A. Yes, sir.

Q. Or is my math wrong?

A. I think it's a little less than 10¢ a pillow.

[APPENDIX]

Q. 10¢ a pillow. Can we project that number backwards over the years?

A. Yes, sir.

Q. So that your profit on pillows is about 8¢ a pillow over the past few years, or less?

A. Net profit?

Q. Yes, sir.

A. I would say yes, sir.

JUN 15 1978

MICHAEL RODAK, JR., CLERK

In the Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-1628

CELEBRITY, INC.,
Petitioner,

VERSUS

A & B INSTRUMENT COMPANY, INC.
and MID-AMERICA SALES AND
MARKETING, INC.,
Respondents.

**BRIEF IN OPPOSITION TO PETITION FOR WRIT
OF CERTIORARI TO THE UNITED STATES COURT
OF APPEALS FOR THE TENTH CIRCUIT**

JERRY J. DUNLAP

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June, 1978

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TABLE OF AUTHORITIES

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35 U.S.C. § 103	3
35 U.S.C. § 171	5

In the
Supreme Court of the United States

OCTOBER TERM, 1977

No. _____

CELEBRITY, INC.,
Petitioner,

VERSUS

A & B INSTRUMENT COMPANY, INC.
and MID-AMERICA SALES AND
MARKETING, INC.,
Respondents.

**BRIEF IN OPPOSITION TO PETITION FOR WRIT
OF CERTIORARI TO THE UNITED STATES COURT
OF APPEALS FOR THE TENTH CIRCUIT**

STATEMENT OF THE FACTS

The facts of this case are essentially as set forth in the Petition for Writ of Certiorari. The Opinion of the Court of Appeals for the Tenth Circuit has been published at 573 F.2d 11.

REASONS FOR DENYING THE WRIT

Petitioner has suggested that the Judgment of the Circuit Court conflicts with the federal policy as expressed in *Lear v. Adkins*, 395 U.S. 653 (1969), favoring free competition in ideas that do not merit patent protection and makes uniform application of the patent laws impossible. Further,

Petitioner submits the Judgment below conflicts with the prior decisions of this Court as regards the principles of law pertaining to design patent validity.

Respondent A & B Instrument respectfully submits that the Petition for Writ of Certiorari should be denied on the grounds that the jury below found the patent-in-suit to be non-obvious and not anticipated by the prior art and the court thereupon based its finding that the patent-in-suit is valid. Respondent A & B Instrument further submits that the jury was instructed as to the principles of validity of design patents in accordance with the criteria laid down by this Court.

ARGUMENT

I.

THE VALIDITY DETERMINATION WAS MADE ACCORDING TO THE PRINCIPLES LAID DOWN BY THIS COURT.

The Court of Appeals for the Tenth Circuit has previously interpreted the principles of *Graham v. John Deere Co.*, 383 U.S. 1 (1966), insofar as the question of validity is regarded, as ultimately a question of law which is based upon several distinct factual inquiries such as the non-obviousness of the subject matter of the patent. *Moore v. Schultz*, 491 F.2d 294 (10th Cir. 1974), *cert. den.*, 95 S.Ct. 203 (1974).

In this case, the question of non-obviousness was placed before the jury via introduction of the patent-in-suit: the patents cited by the Examiner during the prosecution of the patent-in-suit; additional prior art patents cited by

plaintiff (Petitioner herein) as being more relevant than the art cited by the Examiner; numerous lay and expert witnesses; and finally, the jury was specifically instructed as to 35 U.S.C. § 103 (A. 23)* and the further admonition to the statutory instruction was added by the Court:

"A design is obvious in law if one of ordinary skill in the art, comparing prior art with this design, would have found the design obvious or apparent.

"The purpose of comparing 'prior art' is to determine by examining prior patents, whether the patent in suit has been earlier anticipated in the art. If the prior art discloses the design, then it may be said to be obvious and unpatentable and a patent so given would be invalid. Otherwise the presumption of validity must stand." (A. 23)

Petitioner suggests that the jury was not properly instructed with respect to the question of "obviousness" because "obviousness" must be determined in accordance with the level of skill of a non-layman, citing *Dann v. Johnston*, 425 U.S. 219, 229 (1976). The observation of this Court in *Dann v. Johnston* (which involved a "utility" patent rather than a "design" patent) to which the Petitioner refers was with respect to "a hypothetical person [who] would have been aware both of the nature and extensive use of data processing systems in the banking industry and of the system encompassed in the Dirke patent." 425 U.S. at 229.

Respondent A & B Instrument suggests that, as has been widely recognized, the "level of one skilled in the

*References are to the Appendix to the Petition and page number thereof.

art," as applied to design patent cases, rests upon the perception of the "ordinary observer" and not upon the accumulated experience of abstruse technical involvement with a particular art. *Gorham v. White*, 81 U.S. 511 (1871).

This Court, in *Gorham*, stated with respect to design infringement:

"The court below was of the opinion that the test of a patent for a design is not the eye of an ordinary observer. The learned judge thought there could be no infringement unless there was 'substantial identity' 'in view of the observation of a person versed in designs in the particular trade in question—of a person engaged in the manufacture or sale of articles containing such designs—of a person accustomed to compare such designs one with another, and who sees and examines the articles containing them side by side.' There must, he thought, be a comparison of the features which make up the two designs. With this we cannot concur.

* * * * *

"Experts, therefore, are not the persons to be deceived. Much less than that which would be substantial identity in their eyes would be indistinguishable in the eyes of men generally, of observers of ordinary acuteness, bringing to the examination of the article upon which the design has been placed that degree of observation which men of ordinary intelligence give."

As regards the validity of a design patent, this Court stated in *Smith v. Whitman Saddle Co.*, 148 U.S. 674, 679-680:

"In *Jennings v. Kibbe*, 10 Fed. Rep. 669, 20 Blatchf. 353, Mr. Justice Blatchford, then circuit judge, applied

the rule laid down in *Gorham Mfg. Co. v. White*, 81 U.S. 14 Wall. 511 [20:731], stating it thus, that 'the true test of identity of design is sameness of appearance,—in other words, sameness of effect upon the eye; that it is not necessary that the appearance should be the same to the eye of an expert and that the test is the eye of an ordinary observer, the eyes of men generally, of observers of ordinary acuteness, bringing to the examination of the article upon which the design has been placed that degree of observation which men of ordinary intelligence give.' *Ripley v. Elson Glass Co.*, 49 Fed. Rep. 927."

Secondly, the jury was also instructed with regard to 35 U.S.C. § 102 (A. 22) and the Court added this further admonition:

"In order for a design patent to be valid it must disclose an ornamental design which is new within the meaning of that word as used in the patent laws, the ornamental design as a whole must be pleasing enough to catch the trade." (A. 23)

Further, the jury was instructed with regard to 35 U.S.C. § 171 (A. 22) and the Court added the further admonition:

"The functional features of a product subject to a design patent are not to be considered in ascertaining whether the ornamental design is new or not." (A. 23)

As is apparent from the above recitations, the jury did not adjourn for their deliberations in a vacuum with respect to their functions as triers of fact as Petitioner infers at pages 11 and 12 of its Petition. The jury had been instructed that:

"In order that Celebrity [Petitioner] prove A & B's [Respondent] patent to be invalid, Celebrity must present clear and convincing evidence to disprove validity. In the absence of this, the law presumes validity." (A. 22)

As triers of fact, the jury was charged to determine the "factual inquiries" underlying the ultimate question of patent validity, *Graham v. John Deere Co.*, *supra*, as has been recognized in the Tenth Circuit, *Moore v. Schultz*, *supra*; *G. E. Staley Manufacturing Co. v. Harvest Brand, Inc.*, 452 F.2d 735 (10th Cir. 1971); *Eimco Corporation v. Peterson Filters & Eng. Co.*, 406 F.2d 431 (10th Cir. 1968), and in the courts of other circuits, *Swafford v. B & W, Inc.*, 395 F.2d 362 (5th Cir. 1968). See also *Scaramucci v. Dresser Industries, Inc.*, 427 F.2d 1309 (10th Cir. 1970).

Further, the Judgment below was based upon an independent determination of the question of validity as shown by the Judgment entered in the case (A. 13, 14) which stated in pertinent part:

"The above action having been tried before the Honorable Luther Bohannon and a jury on July 14, 15 and 16, 1976; and the jury having returned the following verdict:

* * * * *

"1. The patent is valid, not anticipated or obvious in view of the prior art.

* * * * *

"Based upon the finding of the jury and the evidence, the Court finds that:

* * * * *

"(b) Design Patent No. 203,251 of A & B Instrument Company, Inc., is valid, not anticipated or obvious in view of the prior art."

Respondent respectfully submits that the issues in this case were properly brought before the jury with respect to the underlying factual inquiries and that the Court properly determined the ultimate question of validity. The Opinion of the Court of Appeals also considered the trial court's determination of validity to have been proper when it remarked:

"The plaintiff asserts that the 'validity' issue was submitted to the jury, and the record so indicates; however, the trial Court made its determination of validity as a legal issue derived from the several factors. The judgment so indicates, and there was no error in so doing." (Emphasis added) 573 F.2d at 13

II.

THE TRIAL COURT PROPERLY PLACED THE DAMAGES BEFORE THE JURY.

The Petitioner asserts that Certiorari should be granted to review the award of damages in this case on the grounds that said award was speculative and not apportioned between the functional and design features of the patent-in-suit. Petitioner further asserts that the jury was not instructed as to damages; which assertion is contradicted by the express instruction found at (A. 25) which states:

"If you find in favor of A & B, then you may award damages for compensation based upon the evidence in the case of injury and damages before you. The damages, if any, should have a reasonable basis such as the loss of business, the loss of profits, or both."

The damages found by the jury were obviously related to the design features of the patent-in-suit. The evidence was clear that other designs would perform the same function yet Celebrity chose to copy the patented design. The jury was instructed as to unfair competition (A. 22) as well as patent infringement and both of these elements must be viewed as having been combined in the general damage award to Respondent A & B Instrument. Therefore, this case cannot be considered in the posture urged by the Petitioner that the damages awarded bore no reasonable relationship to the computation of lost profits based only on patent infringement.

The Court of Appeals realized the fallacy of the position urged by Petitioner when it observed in its Opinion:

"There would seem to be no serious issue as to the award of combined infringement and unfair competition damages. *Hurn v. Oursler*, 289 U.S. 238. The trial Court instructed the jury on the deceptive trade practice aspect claimed under 78 Okl. St. A. § 52. The instruction covered the proposition that if the patent was not valid, the article described in it is in the public domain and may be made and sold by anyone." 573 F.2d at 13.

CONCLUSION

In view of the foregoing argument and authorities, Respondent A & B Instrument respectfully requests that the Petition for Writ of Certiorari be denied.

Respectfully submitted,

JERRY J. DUNLAP

JERRY J. DUNLAP II (On the Brief)

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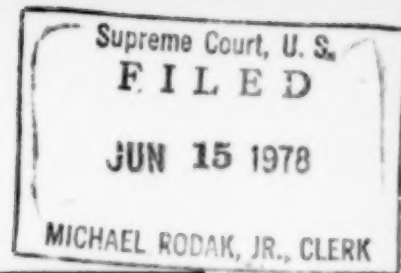
Attorney for Respondent

A & B Instrument Company, Inc.

June, 1978

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the foregoing BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT was mailed first class, postage prepaid to Selig J. Levitan, Stuart A. Summit and Ruth Balen, Burns, Jackson, Miller, Summit & Jacoby, 445 Park Avenue, New York, New York 10022, James D. Fellers and Terry W. Tippens, Feller, Snider, Blankenship, Bailey & Tippens, 2700 First National Center, Oklahoma City, Oklahoma 73102, and Charles G. Humble, Posey & Humble, 7300 N.W. 23rd, Suite 400, Bethany, Oklahoma 73008, on this day of June, 1978.



IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1977

No. 77-1628

CELEBRITY, INC.,

Petitioner,

v.

A & B INSTRUMENT COMPANY, INC. and
MID-AMERICA SALES AND MARKETING, INC.,

Respondents.

BRIEF OF
MID-AMERICA SALES AND MARKETING, INC.
IN OPPOSITION TO THE
PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

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June 15, 1978

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IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1977

No. 77-1628

CELEBRITY, INC.,

Petitioner,

v.

A & B INSTRUMENT COMPANY, INC. and
MID-AMERICA SALES AND MARKETING, INC.,

Respondents.

BRIEF OF
MID-AMERICA SALES AND MARKETING, INC.
IN OPPOSITION TO THE
PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE TENTH CIRCUIT

STATEMENT OF THE CASE

The statement of the case as set forth in the Petition for Writ of Certiorari is sufficient for respondent Mid-America Sales and Marketing, Inc., insofar as it does not conflict with comments and arguments hereinafter set forth.

REASONS FOR DENYING THE PETITION

The respondent respectfully prays that the Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit be denied for the reasons set forth below.

1. This Case Presents No Constitutional or Important Federal Questions Calling for Resolution by the Supreme Court.

All questions of patent validity and infringement are necessarily Constitutional questions because patents are granted under the provisions of Article I, §8, cl. 8. In addition, the grant of exclusive jurisdiction in such cases to the federal judiciary, 28 U.S.C. §1338, gives rise to questions of federal law. However, the particular claims advanced by the Petitioner with regard to standards of patentability, the division of tasks between judge and jury, and the award of damages and attorneys fees raise no issues upon which the law is not clear. Petitioner also has not alleged any difference of opinion or practice among the federal circuits on any point of law, the resolution of which would affect the result in the instant case. Rather, the trial court below duly applied the law as the Supreme Court and the federal courts have enunciated that law. Much of the Petitioner's challenge to the decision in the trial court stems not so much from any claim that the law was not properly applied there but from dissatisfaction with the result of its proper application. As to the remainder of its challenge, relating to questions of abuse of discretion, we believe the record at trial and judgment amply supports the view that the law was faithfully respected and discretion was justly exercised.

2. The Court of Appeals acted in accordance with applicable Supreme Court decisions in affirming the decision of the District Court.

The Petitioner claims that under the holdings in *Gorham Company v. White*, 81 U.S. 511 (1871), and *Smith v. Whitman Saddle Co.*, 148 U.S. 674 (1893), the Barber Design Patent No. 203,251 should have been found unpatentable as being purely functional and without ornamentality. While we concur with Petitioner's understanding of the rule in these cases, we cannot agree with its conclusion as to the patentability of the patent in suit. Respondents' "Rest Easy" pillow possesses an attractiveness and uniqueness of design sufficient for patentability under *Gorham, supra*, and any functional attributes it may also possess do not preclude patentability. It is not purely functional as Petitioner asserts. The District Court jury, upon proper instruction from the trial judge (A-22, 23; all references designated "A" will be to the Appendix to the Petition for Writ of Certiorari), and with the specific admonition not to consider the functional features of the pillow in determining ornamentality, found the design of the pillow to be novel, ornamental and non-obvious (A-23).

Petitioner's claim that the ruling in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), was not applied by the District Court in determining the validity of the Barber patent, is wholly without foundation. The jury was explicitly instructed on the nonobviousness standard of 35 U.S.C. §103 and the criteria by which to apply that standard, as set forth in *Graham, supra*, and as reaffirmed in *Dann v. Johnston*, 425 U.S. 219 (1976), and *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976) (A-23). The findings of the jury with respect to validity, anticipation and obviousness, as embodied in their verdict for the defend-

ant below, A & B Instrument Company, Inc. (A-11) are clearly supported by the evidence adduced at trial. The Court of Appeals reasonably concluded that the findings of the jury were made upon instructions comporting with the applicable law (A-3), and were not clearly erroneous (A-4). Fed.R.Civ.P. 52(a) therefore requires that they not be set aside on review.

With respect to the issue of patent validity, we agree with the Petitioner that the ultimate question is indeed one of law. *Graham, supra*. However, as noted in a case cited by the Petitioner for the rule that the court must determine validity even in a jury trial, *Swofford v. B & W, Inc.*, 395 F.2d 362 (5th Cir. 1968), cert. denied 393 U.S. 935, reh. denied 393 U.S. 1060, "novelty" and "utility" are "clearly issues of fact", 395 F.2d., at 364, and as the Supreme Court stated in *Graham, supra*,

the § 103 condition, which is but one of three conditions, each of which must be satisfied, lends itself to several basic factual inquiries. Under §103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or non-obviousness of the subject matter is determined. 383 U.S., at 17.

The requisite factual inquiries were made by the jury upon proper instruction (A-22,23). Petitioner's assertion that such inquiry constitutes an abdication of the court's responsibility to determine validity as a matter of law, because unaccompanied by an explicit pronouncement of the trial judge as to validity, is entirely specious. The formulation of issues for the jury is within the discretion of the trial judge. *Norfolk Southern Ry. Co. v. Davis Frozen Foods*, 195 F.2d. 662, 666 (4th Cir. 1952). Further,

issues presenting mixed questions of fact and law can be presented to the jury if it is instructed on the applicable legal standards. *Tights, Inc. v. Acme-McCrary Corp.*, 541 F.2d. 1047, 1060 (4th Cir. 1976), cert. denied 429 U.S. 980, citing *Scott v. Isbrandtsen Company, Inc.*, 327 F.2d. 113 (4th Cir. 1964). The trial judge acted within his discretion in instructing the jury to make the factual inquiries underlying patent validity and, if they should find such validity, to then determine if the patent had been infringed. The court's judgment (A-13), embracing the jury's findings of fact, represents its legal conclusion as to validity, and should not be misinterpreted as a failure to adjudicate the validity of the patent in suit as a matter of law. The trial judge should not be required to specifically denominate his conclusion as being one of law where it wholly adopts the factual conclusions of the jury and would be no more than a *pro forma* act, a result Petitioner's argument would compel.

The Court of Appeals found no error in the division of tasks between judge and jury. It reasonably concluded that the trial court had made a determination of validity as a matter of law, and could have presumed that disputed matters of fact underlying the verdict of validity had been resolved favorably to the patentee. See *Panther Pumps & Equipment Co. v. Hydrocraft, Inc.*, 468 F.2d. 225, 228 (7th Cir. 1972), cert. denied 411 U.S. 965. We assert that no error was committed by either the trial court or the Court of Appeals in this regard. Furthermore, the actions of the trial judge below were in accord with accepted practice in the Tenth Circuit as set forth in *Eimco Corp. v. Peterson Filters and Engineering Co.*, 406 F.2d. 431 (1968), cert. denied 395 U.S. 963, and *Moore v. Shultz*, 491 F.2d. 294 (10th Cir. 1974), cert. denied 419 U.S. 930. As the Supreme Court has declined to

review either of these decisions, we respectfully submit it should decline to do so in this case as well.

3. The Award of Damages by the Jury for Infringement and Unfair Competition was Proper.

The Petitioner's claims of errors in the computation of damages represent mistaken interpretations of the pertinent law. In the cases cited by the Petitioner for the rule that damages must be apportioned between the patented and unpatented features of an article, *Dobson v. Hartford Carpet Co.*, 114 U.S. 439 (1885), and *Dobson v. Dornan*, 118 U.S. 10 (1886), the article in question was a carpet bearing a design. In the first of these cases, it was stated that apportionment was not required where the patentee could show that his damages related to the whole article because its entire value as a marketable item was attributable to the patented feature. 114 U.S., at 445. In the instant case, the design is one and the same with the article itself, unlike the design imprinted on the carpet, and apportionment is not a realistic alternative.

The Petitioner's reliance on *Rubber Co. v. Goodyear*, 76 U.S. 788 (1869), as a basis for its claim that the patentee's damages should have been measured by Petitioner's profits, computed as the difference between cost and yield, is misplaced. In the trial of that case, the court-appointed master had awarded as the patentee's damages the infringer's profits. The sole damages question on appeal was what method should be used to calculate that profit.

The present statutory basis for the award of damages in a patent infringement action, 35 U.S.C. §284, which differs from its predecessor, R.S. §4921, the statute upon which *Goodyear* was decided, mandates the recovery of compensatory damages, but not less than a reasonable royalty for the use of the patented feature. The

Supreme Court in *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.*, 377 U.S. 476 (1964), stated, in that portion of its opinion commanding the concurrence of four justices, that "damages" means compensation for the patentee's pecuniary loss, without regard to the profits or losses of the infringer. In each case, the question to be determined is what the patentee's pecuniary condition would have been but for the infringement. 377 U.S., at 507.

If, as Petitioner insists, a patentee's damages are to be restricted solely to the infringer's profits, potential infringers will be encouraged to seek illegitimate gains at the risk merely that such gains might be cancelled in a suit for infringement. The courts have not accepted this view. Rather, they have held infringers liable for those profits which in all reasonable probability the patentee himself would have made. *Livesay Window Co. v. Livesay Industries, Inc.*, 251 F.2d. 469 (5th Cir. 1958). At trial, the jury was instructed on the proper measure of damages (A-25). Their award, not clearly erroneous and bearing a direct relationship to the evidence offered by the defendants, was properly respected by the Court of Appeals on review.

We disagree with Petitioner's contention that the damages awarded were speculative. To be sure, the defendants' potential losses were not certain, but evidence from which the jury might reasonably estimate such losses was presented, and was found sufficient by the Court of Appeals (A-5).

CONCLUSION

For the foregoing reasons, we respectfully submit that the decision of the Tenth Circuit Court of Appeals in affirming the District Court is correct as a matter of law and that in neither proceeding has any question been presented which merits review by the Supreme Court. The petition for a writ of certiorari should therefore be denied.

Respectfully submitted,

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